

WEALTHFOCUS PERPETUAL SMALLER COMPANIES

July 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

FUND BENEFITS

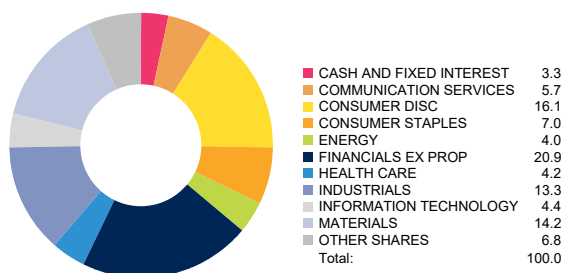
Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark: S&P/ASX Small Ordinaries Accum. Index
Inception Date: August 1995
Size of Portfolio: \$30.59 million as at 30 Jun 2024
APIR: PER0008AU
Management Fee: 1.03%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Pacific Current Group Ltd	7.1%
Graincorp Limited	3.4%
Light & Wonder, Inc.	3.0%
EQT Holdings Limited	3.0%
Premier Investments Limited	2.8%

NET PERFORMANCE - periods ending 31 July 2024

	Fund	Benchmark #	Excess
1 month	3.16	3.49	-0.33
3 months	1.76	2.00	-0.24
FYTD	3.16	3.49	-0.33
1 year	6.02	9.29	-3.27
2 year p.a.	8.12	4.94	+3.18
3 year p.a.	6.23	-0.64	+6.87
4 year p.a.	14.36	6.73	+7.62
5 year p.a.	10.70	3.50	+7.20
7 year p.a.	9.95	6.62	+3.33
10 year p.a.	9.82	6.30	+3.52

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

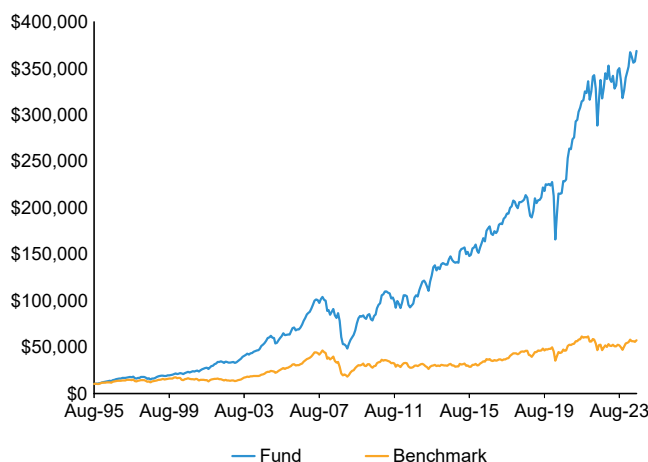
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	14.2	18.3
Dividend Yield*	4.3%	3.9%
Price / Book	1.7	1.7
Debt / Equity	30.5%	32.2%
Return on Equity*	11.9%	10.5%

[^] Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating the Fund's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.

* Forward looking 12-month estimate.

GROWTH OF \$10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

The Small Ordinaries rallied strongly in July, rising by 3.5%. The Australian market benefited from a global rotation favouring cyclicals over technology. This shift saw Financials soar by 8.66%, contributing nearly half of the benchmark return. The Consumer Discretionary and Real Estate sectors were also significant contributors, along with healthcare. The backdrop was reasonably benign, with strong domestic employment growth and high hopes for a soft landing in the US. While concerns about high inflation persisted at month-end, a consensus quarterly inflation number alleviated fears of further rate hikes and boosted markets.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Pacific Current Group Ltd, EQT Holdings Ltd and Universal Store Holdings Ltd. Conversely, the portfolio's largest underweight positions include HUB24 Limited, Sandfire Resources Ltd and Ventia Services Group Limited, all of which are not held in the portfolio.

The overweight position in omni channel apparel retailer Universal Store Holdings contributed to performance as the stock rose 17.10%. This was following a FY24 trading update and guidance where the business highlighted a strong EBIT number as well as healthy continuing trading momentum. Importantly, the balance sheet remains sound with \$14 million net cash. Universal Store Holdings remains well-managed, high-quality fashion retailer with an attractive market position. The opportunity to expand the private label offering through the Perfect Stranger and Cheap THRILLS Cycles (CTC) businesses, along with a continued store rollout, further enhance the medium-term earnings growth potential of Universal Stores. While near-term challenges exist, the company's disciplined strategy and growth prospects make it a compelling long-term portfolio holding.

EQT Holdings contributed to relative performance over the month with the stock finishing up 10.94%. The stock continued its re-rate as the market began to adequately factor in the embedded earnings growth from the UK exit and realisation of Australian Executor Trustees synergies. EQT remains one of Australia's leading specialist trustee companies, in most of the segments it operates in it is either the number 1 or 2 player. Clients tend to be fairly sticky as switching trustees is a costly exercise and regulatory licences and capital requirements create meaningful barriers to entry.

Pacific Current Group Ltd detracted from relative performance over the month of July as the stock fell -2.62% while the market was up 3.49%. This was despite any negative news, with the company diverting Carlisle management company which was not a surprise. The stock has been an M&A target for some time, receiving bids from Regal and GQG over the past 12 months. When these whole of company bids fell over, we still saw significant M&A opportunity in the stock which has played out. GQG was ultimately successful in acquiring minority interests in three of PAC's US-based affiliates. The fund manager will acquire stakes in Avante Capital Partners, Proterra Investment Partners, and Cordillera Investment Partners for an aggregate cash consideration of US \$71.2 million (\$108 million). The company now has significant cash on the balance sheet which we expect it to return to shareholders in the coming months. This is a classic case of the sum of the parts equating to a greater value than the whole, with considerable value set to be unlocked as PAC winds up and shareholders receive a significant amount of capital.

Jupiter Mines Limited detracted from performance over the month of July as the stock fell -21.88% driven by the >10% fall in the manganese price. Despite the ongoing supply disruption in the manganese market from the Grooyte Island port outage that has supported the high grade 44% price, the lower grade 37% manganese price has come under pressure from increased supply from South Africa and weak steel market fundamentals.

OUTLOOK

Markets finished July on a high note, but difficulties are emerging. A sudden deterioration in economic data in the US during the first week of August led to a sharp sell-off in US and other equity markets. This accelerated the rotation in equities that began in July and raised the spectre of a recession for the first time in months. Coinciding with this was the Bank of Japan's decision to raise interest rates to near generational highs, which appeared to trigger a reappraisal of asset allocation and a potential unwind of the multi-trillion-dollar Japanese "carry trades" that have been in place for many years. The Nikkei had its worst day since 1987, though it bounced back a day later. Nonetheless, the sharp correction in markets, with the NASDAQ repeatedly underperforming the Dow and S&P, increases the risk that a broader realignment could finally be here.

Benchmark prior to 1/4/2000 was the ASX Small Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX Small Ordinaries Accumulation Index.
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Total returns shown for the Perpetual WealthFocus Superannuation Fund have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions.
No allowance has been made for taxation. Past performance is not indicative of future performance.

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